

Message Text

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C O N F I D E N T I A L USNATO 5121

E.O. 11652: XGDS-1

TAGS: MCAP, NATO

SUBJECT: NICS PRODUCTION SHARING - PO/74/121

REFS: A. STATE 205137

B. STATE 205517

C. USNATO 5036

BEGIN SUMMARY. ON HEELS OF CANADIAN REFUSAL TO AGREE SILENCE PRO-
CEDURE (REPORTED REF C), GERMANS SENT LUNS A GENERALLY NEGATIVE
NOTE CONTAINING SOME OF US OBJECTIVES AND PROPOSING RELEASE OF
SPECIFICATIONS TO BIDDERS FOR INFO PURPOSES. BASED ON REF A, WE
HAVE SENT NOTE MAKING SAME SUGGESTION. END SUMMARY.

1. CANADIANS HAVING EFFECTIVELY SCOTCHED LUNS' EFFORT TO
MOVE AHEAD WITH TARE CALL FOR BIDS, GERMANS CAME ALONG YESTERDAY
WITH A SIMILAR NOTE OFFERING AGREEMENT ONLY IF ALL OTHERS COULD
AGREE. WHILE CANADIANS DID RAISE SOME OF SAME OBJECTIONS WE HAD
PERCEIVED, WE FIND FRG NOTE MORE GENERALLY IN LINE WITH US
POSITION. TEXT OF GERMAN NOTE (FILE 3458/74 VS-VERTRAULICH, 16
SEPT 74, SUBJ: PRODUCTION SHARING ARRANGEMENTS FOR THE NICS,
REFERS TO PO/74/121) FOLLOWS:
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BEGIN TEXT:

MY DEAR SECRETARY GENERAL: FOR THE SAME REASONS AS THOSE
MENTIONED IN YOUR LETTER I FULLY SHARE YOUR CONCERN AND THAT OF

THE DIRECTOR GENERAL OF NICSMA REGARDING THE TIMELY FURTHER IMPLEMENTATION OF THE THREE MAJOR NICS PROJECTS WHICH ARE NOW UNDER WAY, AND I AM THEREFORE WILLING TO SUPPORT ANY MEASURE WHICH WOULD APPEAR SUITABLE TO ACCELERATE THESE PROCUREMENT PROJECTS.

I HAVE THEREFORE NOTED WITH INTEREST THE PROPOSAL OF THE DIRECTOR GENERAL OF NICSMA TO ASK EACH BIDDER TO QUOTE ON THE BASIS OF TWO PRODUCTION SHARING OPTIONS (20 PCT AND 35 PCT).

AS MUCH AS I WELCOME THIS PROPOSAL ON THE ONE HAND AS A STEP TO OVERCOME THE EXISTING DEADLOCK, I FEEL ON THE OTHER HAND THAT I HAVE TO DRAW YOUR ATTENTION TO THE FACT THAT IN MY OPINION THIS PROCEDURE IS NOT VERY SATISFACTORY UNDER PRACTICAL ASPECTS. THE LATEST DISCUSSIONS HAVE SHOWN THAT THERE IS NO PROSPECT AT PRESENT THAT EITHER THE 20 PCT OR THE 35 PCT WILL BE APPROVED.

MOREOVER, THIS PROPOSAL WILL CAUSE SUBSTANTIAL ADDITIONAL COSTS TO THE BIDDERS SINCE THEY ARE REQUESTED TO SUBMIT TWO BIDS.

A FURTHER ASPECT IS THAT THE FIRM WHICH - IRRESPECTIVE OF THE PRODUCTION SHARING PERCENTAGE - WOULD BE COMPELLED TO A SHARING OF AT LEAST 35 PCT IN ANY CASE FOR INTERNAL REASONS OF HER OWN WOULD HAVE AN ADVANTAGE OVER THE OTHER BIDDERS.

IN SPITE OF THESE MISGIVINGS I AM WILLING, HOWEVER, TO FOLLOW A VOTUM BY THE OTHER MEMBER COUNTRIES IN FAVOR OF THE NICSMA PROPOSAL. IF THE NICSMA PROPOSAL IS NOT ACCEPTED FOR IMPLEMENTATION IT SHOULD BE CONSIDERED WHETHER IT WOULD NOT BE POSSIBLE TO PROVIDE THE BIDDERS AT LEAST WITH THE TECHNICAL SPECIFICATIONS NOW, IN ORDER TO ENABLE THEM TO FAMILIARIZE THEMSELVES WITH THE PROJECT UNTIL AN AGREEMENT ON THE PRODUCTION SHARING PERCENTAGE HAS BEEN REACHED.

COPIES OF THIS LETTER ARE BEING SENT TO MY COLLEAGUES ON THE DEFENSE PLANNING COMMITTEE. /A/ FRANZ KRAPF, AMBASSADOR AND PERMANENT REPRESENTATIVE.
END TEXT.

2. REF B CLEARLY REFLECTS NEED OF AMERICAN BIDDERS TO HAVE TECHNICAL SPECIFICATIONS IN ORDER TO JUDGE POSSIBILITIES FOR PRODUCTION SHARING. WE ARE TAKING THIS LINE IN OUR NOTE TO LUNS AND WILL WORK WITH KRAPF IN EFFORT TO GET DPC AGREEMENT ON THIS
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POINT.
MCAULIFFE.

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<< END OF DOCUMENT >>

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